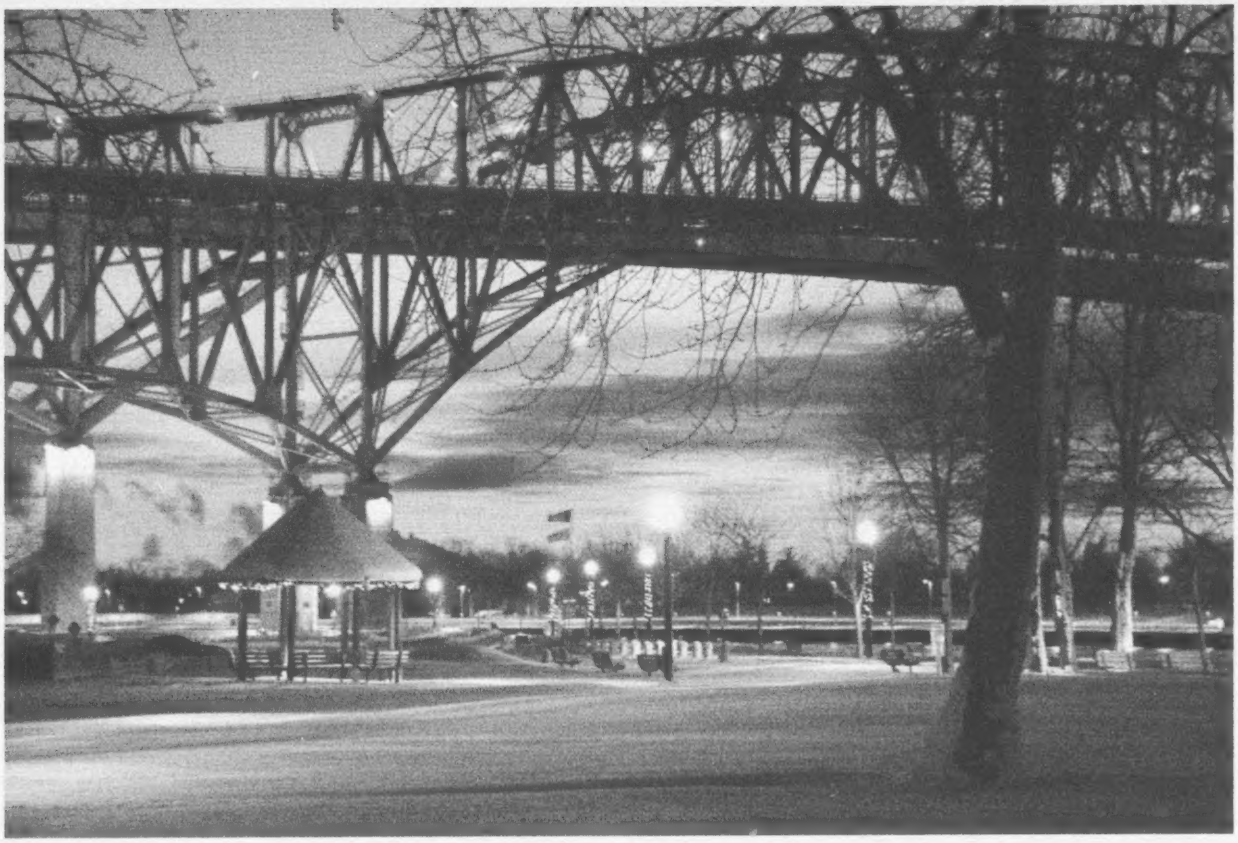
Quarterly Financial Report

2nd Quarter
(Q2)
Unaudited
For the three months ended February 29, 2012



Blue Water Bridge Canada
Pont Blue Water Canada

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1.0 Background, Legislative Authority and Compliance

Blue Water Bridge Canada (BWBC) was created by a 1964 Act of Parliament (*Blue Water Bridge Authority Act)* where *"it is deemed appropriate that an international bridge providing facilities for the carriage of highway traffic between Canada and the United States be operated on a joint international basis by a public authority having equal representation of members appointed from each of the two countries, and having power to levy tolls to meet the costs of operating and maintaining such a bridge".* At that time, in anticipation of such a merger to occur sometime in the future, the Canadian legislation initially established a corporation to be known as the Blue Water Bridge Authority to own (under federal control), operate and maintain the Canadian half of the highway toll bridge over the St. Clair River between Point Edward, Ontario and Port Huron Michigan. Similar legislation exists with the State of Michigan authorizing the American "Authority" to operate in the same way.

In accordance with the provisions of a 1928 Special Act of Parliament authorizing construction and operation of the Blue Water Bridge, ownership of the Canadian portion reverted, at no cost or expense, to the Federal Government from the State of Michigan in 1962. The Michigan Department of Transportation (MDOT) owns, operates and maintains the U.S. half of the bridge.

BWBC qualifies as a "parent Crown corporation" under the *Financial Administration Act* and regulations. As such, BWBC is required to submit an annual corporate plan outlining its business activities and investments, set BWBC's objectives for the relevant period and the strategy to achieve such objectives. The *Financial Administration Act* (Canada) also requires that BWBC prepare and file annual operating and capital budgets, each of which require the approval of the Treasury Board on the recommendation of the Minister of Transport, Infrastructure and Communities. BWBC is obliged to prepare annual reports including audited financial statements for submission to Parliament via the Minister of Transport, Infrastructure and Communities.

The *Blue Water Bridge Authority Act*, and the *Customs Act*, section 6, require BWBC to provide, equip and maintain free of charge adequate buildings or other facilities for the proper interviewing, examination and detention of persons and goods by customs officers.

BWBC has taken active measures to ensure compliance with the *Official Languages Act* and continues to implement its obligations with the Treasury Board of Canada Secretariat to ensure compliance with the *Federal Identity Program*. As part of that compliance, The President of the Treasury Board and the Minister of Transport, Infrastructure and Communities agreed on an applied title for the organization – from Blue Water Bridge Authority to Blue Water Bridge Canada – effective September 2007.

BWBC has operational relationships with: Ontario provincial authorities and particularly with the Ministry of Transportation; the Ontario Provincial Police, and; local municipalities, in particular Point Edward, Ontario upon which the bridge's Canadian assets are sited.

Pursuant to the *Blue Water Bridge Authority Act*, BWBC is limited to charging tolls which provide for current revenues in an amount sufficient to pay BWBC's reasonable current costs; to establish prudent reserve funds; to provide or replenish sinking funds in respect of outstanding bonds, and; to pay other expenses properly incurred by BWBC in its performance of duties under the Act. The *Canada Transportation Act* regulates the means of setting and publishing toll rates.

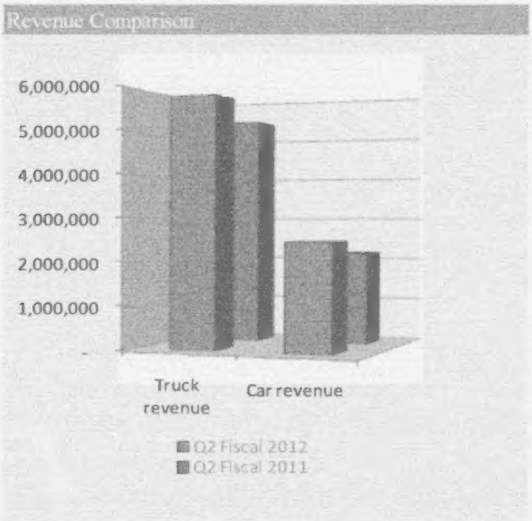
2.0 Q2 Fiscal 2012 in Review

This quarterly financial report has been prepared in accordance with the requirements of the Financial Administration Act and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat with the exception of the presentation of the comparative information presented against the 2011 fiscal year versus the 2012 Second quarter due to the timing of the enactment of the legislation and the availability of the required financial information across BWBC.

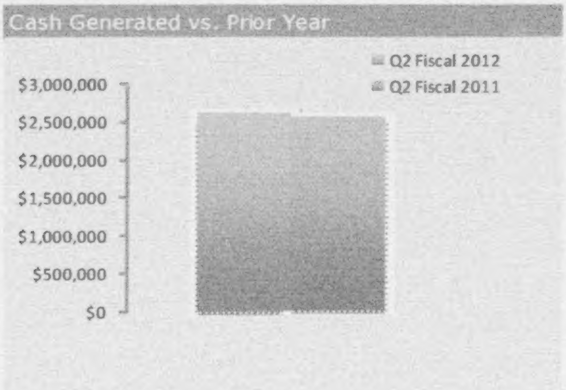
This quarterly financial report assesses the operations and financial status of BWBC for the fiscal quarter ended February 29, 2012. It should be read in conjunction with the interim unaudited condensed financial statements and supporting notes included herein and the annual audited financial statements included in BWBC's 2011 Annual Report. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

2.1 Summary of Results

BWBC reports a net loss of $1.81 million for the three months ended February 29, 2012 (Q2) compared to a net loss of $846 thousand for the year ended August 31, 2011. Q2 results have been strong with traffic volumes increasing by 11.1% for cars and 9.2% for trucks compared to Q2 2011. In addition to the volume increase, BWBC determined that a toll adjustment of $.25 for passenger vehicles on October 1, 2011 and a toll adjustment of $.25 cents per truck per axle on January 2, 2012 would be necessary to ensure that BWBC can continue to meet the day-to-day operational needs of its customers into the future. BWBC is on target for Q2 compared to the corporate plan except that the toll adjustment for trucks was expected to take effect on September 1, 2011. BWBC decided that trucking companies should be given more time to prepare for the toll rate adjustment so it was delayed longer than previously planned in the corporate plan. Below is a comparison of toll revenue for the six months ended February 29, 2012 to the six months ended February 28, 2011.



With the additional traffic and the implementation of full toll rate adjustments, toll revenue increased by $634k for the six months ended February 29, 2012 and the additional traffic improved Currency Exchange revenue by $149k which more than offsets the increased human resource costs of $420k.



2.2 Outlook

Looking ahead to future quarters, BWBC will receive the final payment from Transport Canada for the Federal Infrastructure projects through the Economic Action Plan initiative in the amount of $489,037. See note 3 in the financial statements for more information. Further, BWBC is building cash for maintenance projects in Q3 and Q4. These projects include the span 2 migration of services, the BWBC/MDOT fibre optic interconnection, and the span 1 abutment repairs.

BWBC will also assist MDOT with adding six additional customs booths on the American side of the bridge in the next two quarters. There are two phases involved with this project. Phase one includes constructing three lanes of stacked booths. This is set to begin during April 2012 and should be completed by the end of May. Phase two includes construction of three staggered booths that will allow cars to wait in the same lane but pull into the first of three available booths. This phase is set to begin after phase one and is expected to be completed by the beginning of July. The anticipated effect on this project will be to ease congestion until the expanded plaza is constructed.

3.0 Discussion of Financial Results

Period over Period Comparisons

For the six months ended February 29, 2012 and 2011

(explanations in thousands)

Q2 2012 totals are expressed in accordance with IFRS and Q2 2011 totals are expressed in accordance with CGAAP. All variances due to the transition to IFRS are expressed in the discussion below.

Revenues

Toll Revenue	Q2 Fiscal 2012	Q2 Fiscal 2011
Truck revenue	5,806,039	5,378,144
Car revenue	2,481,386	2,171,783
Bus revenue	12,394	12,590
Other	(74,428)	28,854
	8,225,391	**7,591,371**

Rental Revenue	Q2 Fiscal 2012	Q2 Fiscal 2011
Duty Free revenue	815,541	811,385
Commercial revenue	359,274	317,127
Residential revenue	20,160	19,883
Storage revenue	4,258	5,398
	1,199,233	**1,153,793**

CX Revenue	Q2 Fiscal 2012	Q2 Fiscal 2011
US purchased/sold	567,256	552,969
Foreign exchange	32,742	(85,825)
ATM service fees	20,670	4,955
Interest income	4,776	4,337
	625,444	**476,436**

Other	Q2 Fiscal 2012	Q2 Fiscal 2011
Int-investments	132,501	196,669
Int-bank accounts	31,467	38,250
Sundry	8,004	13,178
	171,972	**248,097**

Total Income	Q2 Fiscal 2012	Q2 Fiscal 2011
	$10,222,040	**$9,469,697**

Toll Revenue increased by $634k or 8.4%. Car volumes increased by 66,957 or 8.6% and truck volumes increased by 14,903 or 4.8%. The overall favourable variances include the volume variance ($449k); toll rate adjustment ($263k); exchange rate variance ($8k); other and mix axle variance ($8k); and escort fees ($2k). The unfavourable variances include the token discount variance ($60k); foreign exchange on bank balances ($33k); and cash differences ($3k).

Rental Revenue increased by $45k or 3.9% primarily due to the increase in commercial rent moving into Blue Water Bridge Corporate Centre ($35 increase). Duty Free rent is up slightly due to a marginal increase in gross sales ($4k increase).

Currency Exchange Revenue increased by $149k or 31.3% with the significant increase in car traffic into the U.S. due to the Canadian dollar being at par value for a prolonged period of time.

Interest Income decreased due to the redemption of investments to finance the capital projects which were completed during fiscal 2011 ($76k decrease).

Expenses

General & Administrative	Q2 Fiscal 2012	Q2 Fiscal 2011
Insurance	$203,843	$176,477
Municipal taxes	$162,684	$186,943
Stationary	$89,018	$31,890
Accounting	$73,536	$50,095
Computer supplies	$69,168	$66,181
Legal	$63,205	$12,017
Office expenses	$60,438	$63,577
Consultants	$48,398	$99,230
Advertising, PR and entertainment	$43,442	$71,058
Travel, conferences, meetings	$43,095	$49,182
Bank charges	$34,270	$42,420
Uniforms	$25,502	$15,435
Shipping and handling	$15,487	$14,194
Cash over and short	$1,804	$26,294
Other	$1,290	$2,366
Total	**$935,180**	**$907,359**

Maintenance	Q2 Fiscal 2012	Q2 Fiscal 2011
Utilities	$364,502	$272,126
Bridges	$198,533	$249,259
Janitorial and shop supplies	$107,158	$66,387
Landscaping	$79,224	$63,224
Buildings and booths	$61,781	$89,950
Snow Removal	$40,877	$47,607
Gas & Fuel	$15,685	$22,735
Equipment	$13,889	$12,162
Autos & Trucks	$11,473	$5,258
Other	$7,333	$9,113
Total	**$900,455**	**$837,821**

Salaries	Q2 Fiscal 2012	Q2 Fiscal 2011
Operations	$719,598	$665,037
Administrative Services	$508,106	$387,313
Maintenance	$305,967	$304,929
Currency Exchange	$209,881	$163,474
Janitorial	$196,912	$176,024
Project Management	$67,053	$85,723
Total	**$2,007,517**	**$1,782,500**

Benefits	Q2 Fiscal 2012	Q2 Fiscal 2011
Group insurance and critical illness	$459,789	$292,864
Group pension	$107,351	$94,428
Canada pension & EI	$92,198	$82,360
Employer health tax	$41,967	$36,911
WSIB	$20,614	$19,810
Miscellaneous	$6,202	$7,072
Total	**$728,121**	**$533,445**

Interest Expense	Q2 Fiscal 2012	Q2 Fiscal 2011
Bond interest	$2,824,103	$2,875,081
Bank loan interest	$274,511	$0
Total	**$3,098,614**	**$2,875,081**

Depreciation	Q2 Fiscal 2012	Q2 Fiscal 2011
Depreciation - cap. assets and inv. prop.	$5,309,686	$1,880,780
Depreciation - intangible assets	$79,524	$75,540
Gain on disposal of asset	($10,151)	$0
Total	**$5,379,059**	**$1,956,320**

Total Expenses	Q1 Fiscal 2012	Q1 Fiscal 2011
	$13,048,946	**$8,892,526**

General and Administrative Expenses increased primarily due to: Stationary expenses ($57k) with a focus in Currency Exchange (CE) NRT terminal support ($10k) and rental of CE booth space in TIC building ($17k); legal costs ($51k); insurance ($28k); mutual respect training ($10k) and maintenance training (6k); and uniforms ($10k). Decreases include (a.) a reduction in 2011 consultants (McCormack Rankin $39k, Truepointe $36k, Ancillary Revenue Study $22k) partially offset by HST paid on Ryan invoice $48k in 2012; (b.) overall reduction in advertising, public relations and entertainment ($28k); (c.) timing of municipal tax payments ($24k) and bond agency fees ($12k), and; (d.) 2011 cash CE ATM cash shortage ($24k).

Maintenance Expenses increased primarily due to costs incurred as a result of the completion of the Blue Water Bridge Corporate Centre (BWBCC): (a.) utilities ($93k increase); (b.) janitorial supplies ($41k increase) and a 2011 Bluewater Power hydro rebate ($11k increase). Decreases in expenses include the timing of bridge inspections ($51k decrease), less maintenance on the older buildings and booths ($28k decrease) and the effect of the mild winter on snow removal ($8k decrease).

Salaries Expenses has increased by 12.6% over last year partly due to the ratification of collective agreement and the 1.5% increase in union wages. Non-union salaries increased by an average of 3.5%. Administration added three additional employees: Manager of Communications and Manager of Strategic Planning. The Operations department hired an additional fulltime employee and two hourly employees. Maintenance has shown a decrease primarily due to the mild winter affecting both snow removal and overtime. Janitorial hired hourly employees as a result of the BWBCC and to offset the retirement of two employees. Currency exchange has hired an additional part-time employee and an existing employee returned to work from a leave of absence the previous year.

Benefits Expenses will show consistent increases due to the benefits now being offered for hourly employees as a result of the recently ratified collective agreement. A PST rebate on group health insurance was received in 2011 ($78k increase).

Interest Expense will show increases throughout the year. Although the bond principal is diminishing which creates a positive variance for the Bond Interest Expense ($51k decrease), BWBC utilized a credit facility in the summer of 2011 to finance the federal infrastructure projects and the completion of the Blue Water Bridge Corporate Centre ($275k increase).

Depreciation Expense has significantly increased due to the additional depreciation taken against $87 million in projects which were completed and operational during the Spring of 2011. Depreciation expense also increased due to IFRS adjustments increasing the deemed cost of each asset to the fair market value at September 1, 2010. See the significant changes narrative on page 9 and note 4 of the financial statements for more detail.

3.1 Risk Analysis

BWBC's management of its risks is governed by a Risk Management policy which sets out the Board's responsibilities to:

- Understand the significant risks to which BWBC is exposed
- Establish appropriate and prudent risk management policies for those risks, review the policies regularly, and satisfy the Board on an annual basis that the policies continue to be appropriate and prudent
- Obtain reasonable assurance, on a regular and annual basis that the policies continue to be appropriate and prudent
- Obtain reasonable assurance, on a regular and annual basis, that the Corporation has an effective risk management process and that risk management policies are being administered, maintained and updated as required.

To date, there are no new changes in our risk analysis. See Q1 2012 and the 2011 Annual Report for more detail.

3.2 Significant Changes

Critical Accounting Policies and Future Policy Changes

BWBC previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("CGAAP") as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Since BWBC is considered a Government Business Enterprise for the reason that it has the ability to sustain its current operations and generate additional revenue as it deems necessary, BWBC has adopted IFRS beginning in Fiscal 2012.

The BWBC IFRS transition plan is comprised of three phases: scoping, development and implementation. The scoping and development phases were completed in Fiscal 2009 and the implementation phase commenced in Fiscal 2010. During the 2011 fiscal year, BWBC continued the implementation phase of the project. In Fiscal 2012, BWBC is finalizing the implementation phase and will be preparing the first IFRS audited statements at August 31, 2012. See note 4 in the financial statements for further explanation of the transition.

4.0 BWBC Interim Unaudited Condensed Financial Statements

For the three months ended February 29, 2012

Quarterly Financial Statements
(Interim Unaudited)

4.1 Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.

Chuck Chrapko
President and CEO

David Joy, BA, CGA
Chief Financial Officer

Sarnia, Ontario
Canada

May 8, 2012

Balance Sheet

(Unaudited) As at February 29, 2012		IFRS February 29, 2012 Year-to-date		IFRS August 31, 2011
Assets				
Current				
Cash and cash equivalents	$	**7,178,345**	$	7,987,690
Held-to-maturity financial assets		**1,095,419**		1,069,906
Accounts receivable		**757,817**		2,247,859
Prepaid expenses		**151,224**		373,439
		9,182,805		11,678,894
Held-to-maturity financial assets		**1,129,761**		1,117,387
Property, plant and equipment		**216,407,595**		220,098,728
Intangible assets		**190,054**		269,578
Investment property		**16,044,794**		16,235,847
Restricted assets				
Debt service reserve fund		**3,468,007**		3,405,935
Operating and maintenance contingency fund		**2,255,421**		2,222,877
		5,723,428		5,628,812
	$	**248,678,437**	$	255,029,246
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**1,684,236**	$	2,859,594
Holdbacks payable		-		992,116
Deferred revenue		**2,071,712**		1,642,495
Current portion of bank loan payable		**396,888**		375,391
Current portion of bonds payable		**3,278,188**		3,226,301
		7,431,024		9,095,897
Employee future benefits liability		**5,322,194**		5,336,370
Long-term debt				
Bank loan payable		**14,389,006**		14,594,766
Bonds payable		**82,494,703**		84,133,797
		96,883,709		98,728,563
		109,636,927		113,160,830
Equity				
Retained earnings		**139,041,510**		141,868,416
	$	**248,678,437**	$	255,029,246

The accompanying notes form an integral part of the interim unaudited financial statements.

Statement of Operations, Comprehensive Income and Equity

(Unaudited) For the period ended February 29, 2012		Three months ended February 29, 2012		**Six months ended February 29, 2012**		Twelve months ended August 31, 2011
Revenues						
Tolls and services	$	3,999,475	$	**8,225,391**	$	16,313,008
Facility rentals		515,644		**1,199,233**		2,455,481
Currency exchange department		267,946		**625,444**		1,205,663
Interest and Sundry		84,327		**171,972**		419,115
		4,867,392		**10,222,040**		20,393,267
Expenses						
Amortization of property, plant and equipment		2,659,817		**5,118,635**		6,012,031
Interest on long-term debt		1,548,261		**3,098,614**		5,386,174
Human resources		1,417,772		**2,735,638**		5,202,125
General and administrative		541,222		**935,180**		2,200,267
Maintenance and other expenses		414,098		**900,455**		1,623,025
Amortization of investment property		62,058		**191,051**		662,189
Amortization of intangible assets		39,762		**79,524**		153,063
(Gain) on disposal of property, plant and equipment		(9,524)		**(10,151)**		-
		6,673,466		**13,048,946**		21,238,874
Excess of revenues over expenses and comprehensive income	$	(1,806,074)	$	**(2,826,906)**	$	(845,607)
Retained Earnings, beginning of period	$	140,847,584	$	**141,868,416**	$	142,714,023
Excess of revenues over expenses and comprehensive income		(1,806,074)		**(2,826,906)**		(845,607)
Retained Earnings, end of year	$	139,041,510	$	**139,041,510**	$	141,868,416

The accompanying notes form an integral part of the interim unaudited financial statements.

Statement of Cash Flows

(Unaudited) For the period ended February 29, 2012	Three months ended February 29, 2012	Six months ended February 29, 2012	Twelve months ended August 31, 2011
Cash Flows from operating activities			
Excess of revenues over expenses and comprehensive income	$ (1,806,074)	$ **(2,826,906)**	$ (845,607)
Adjustments for items not affecting cash			
Amortization of investment property	62,058	**191,051**	662,189
Amortization of property, plant and equipment	2,659,817	**5,118,635**	6,012,031
Amortization of intangible assets	39,762	**79,524**	153,063
Employee future benefits liability	45,626	**(14,176)**	602,603
Interest on held-to-maturity financial assets	(18,839)	**(25,513)**	(14,671)
Gain on disposal of property, plant and equipment	(9,524)	**(10,151)**	
Foreign exchange (gain) loss	(18,448)	**104,958**	45,641
	954,378	**2,617,422**	6,615,249
Changes in non-cash working capital items			
Accounts receivable	859,207	**1,490,042**	(733,109)
Prepaid expenses	135,331	**222,214**	(54,499)
Accounts payable and accrued liabilities	(2,366,589)	**(1,175,358)**	(3,514,219)
Holdbacks payable		**(992,116)**	(3,401,899)
Deferred revenue	(189,047)	**429,217**	118,328
	(1,561,098)	**(26,001)**	(7,585,398)
Net cash provided by operating activities	(606,720)	**2,591,421**	(970,149)
Cash Flows from investing activities			
Purchase of property, plant and equipment	(430,277)	**(1,427,500)**	(19,764,950)
Purchase of intangible assets			(11,610,838)
Purchase of investment property			(54,349)
Proceeds on disposal of property, plant and equipment	9,524	**10,151**	-
Investments			
Matured investments			9,088,451
Investments purchased		**(12,374)**	-
Restricted assets			
Matured investments			375,000
Investments purchased	(47,425)	**(94,615)**	(843,498)
Net cash used in investing activities	(468,178)	**(1,524,338)**	(22,810,184)
Cash Flows from financing activities			
Funding received from federal government - infrastructure			5,907,980
Increase in long-term debt - bank loan - current portion	17,697	**21,497**	375,391
(Decrease) Increase in long-term debt - bank loan	(110,377)	**(205,760)**	14,594,766
Increase in long-term debt - bond principal - current portion	51,887	**51,887**	201,031
Decrease in long-term debt - bond principal	(1,639,094)	**(1,639,094)**	(3,226,301)
Net cash used in financing activities	(1,679,887)	**(1,771,470)**	17,852,867
Foreign exchange loss on cash held in foreign currency	18,448	**(104,958)**	(45,641)
(Decrease) Increase in cash during the year	(2,736,337)	**(809,345)**	(5,973,107)
Cash, beginning of period	9,914,682	**7,987,690**	13,960,797
Cash, end of period	$ 7,178,345	$ **7,178,345**	$ 7,987,690

The accompanying notes form an integral part of the interim unaudited financial statements.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

The interim unaudited condensed financial statements should be read in conjunction with BWBC's fiscal 2011 annual report and with the narrative discussion included in this quarterly financial report.

1. Basis of Preparation

This quarterly financial report has been prepared in accordance with the requirements of the Financial Administration Act and the Standard on Quarterly Financial Reports for Crown Corporations issued by the Treasury Board Secretariat with the exception of the presentation of the comparative information presented against the 2011 fiscal year versus the 2012 second quarter due to the timing of the enactment of the legislation and the availability of the required financial information across BWBC.

As at September 1, 2011, BWBC transitioned to IFRS from CGAAP. Note 2 is a summary of accounting policies with any applicable changes from the 2011 Annual Report. The effect of the transition to IFRS on the reported balance sheet and statement of operations is provided in Note 4.

2. Summary of Significant Accounting Policies

a) Cash

Cash includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

b) Financial Instruments

Financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial measurement of financial instruments except for financial assets held-for-trading for which transaction costs are expensed. The measurement of financial instruments in subsequent periods depends on their classification. The classification of BWBC's financial instruments is presented in the following table:

Categories	Financial Instruments
Financial assets held for trading	Cash
Financial assets held to maturity	Held-to-maturity financial assets Restricted assets
Loans and receivables	Accounts receivable
Other Financial liabilities	Accounts payable Holdbacks payable Long-term debt

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

b) Financial Instruments continued…

Financial assets held for trading are recognized at fair value on the balance sheet. Gains and losses arising from the change in fair value are recognized in the Statement of Comprehensive Income for the period in which they arise.

Financial assets held-to-maturity are measured at amortized cost. Interest is recognized using the effective interest rate method and recognized under Interest and Sundry in the Statement of Operations, Comprehensive Income and Equity. Financial assets held-to-maturity are classified as non-current assets, except for those with maturities that are less than 12 months from the end of the reporting period, which are classified as current assets. Restricted assets are classified as non-current in accordance with the timing of their intended use.

Assets classified as loans and receivables are recorded at amortized cost using the effective interest rate method, which usually corresponds to the amount initially recorded less any allowance for doubtful accounts.

Other financial liabilities are measured at amortized cost using the effective interest method.

c) Impairment of Financial Assets

Assessment is made at the end of each report period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimate future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  i) Adverse changes in the payment status of borrowers in the portfolio; and

  ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

For financial assets measured at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued...

c) Impairment of Financial Assets continued...

interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, BWBC may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Statement of Comprehensive Income.

d) Property, Plant and Equipment

Property, plant and equipment is presented on the Balance Sheet as cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition or the construction of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to BWBC and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they occurred.

Land is not depreciated. Depreciation on other assets is calculated using the methods and estimated useful lives below. Depreciation rates based on the estimated useful life of an asset are as follows:

Bridge – first span		Straight line for 50 years
Bridge – second span		Straight line for 75 years
Truck Ramp		Straight line for 50 years
Buildings	5%	Diminishing balance basis
Buildings & Booths identified for demolition		Remaining life, straight line, 1 to 10 years
Buildings – leased Duty Free	5%	Diminishing balance basis
Buildings – residential (including land)		No amortization
Equipment	10%	Diminishing balance basis
Equipment – computer		Straight line for 5 years
Property improvements	10-20%	Diminishing balance basis
Vehicles and construction equipment	20%	Diminishing balance basis

Residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period, or more often if events or circumstances dictate.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued...

d) Property, Plant and Equipment continued...

Ten buildings and all booths have been identified for demolition in accordance with the master capital plan. Depreciation has been accelerated to depreciate the remaining net book value over the period of time through to the planned date of demolition.

No depreciation on buildings-residential is recorded. The total acquisition cost of the buildings – residential will be transferred to the land account when these buildings are demolished.

Construction in process is not depreciated. When projects are significantly completed and put in use, the costs are transferred to the appropriate asset account and depreciation is initiated.

e) Intangible Assets

The costs of purchases of computer software that meet the definition of intangible assets and that are separable from an item of related hardware are capitalized separately and depreciated over their useful lives on a straight-line basis over five years.

f) Investment Property

Investment property is property held either to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. In some cases it is difficult to determine the appropriate classification of certain property. In these instances the decisive criterion for the classification of land or building as investment property is the intended use. If BWBC intends to hold the property to earn rental income, for capital appreciation, or for both, the asset will be classified as investment property. Investment property consists of property held under operating leases with tenants such as commercial customs brokers, private coffee shops, and a duty free store.

Properties which comprise a portion that is held to earn rental income or for capital appreciation and another portion held for use in the supply of services or for administrative purposes are accounted for separately as investment property and property, plant and equipment, respectively, if these portions could be sold separately or leased out separately under a finance lease.

Investment property is measured initially at cost and is subsequently accounted for under BWBC's accounting policy for property, plant and equipment.

Investment property is depreciated over the useful life of the property, on a diminishing balance basis, at a rate of 5%.

g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

g) Borrowing Costs continued…

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

When general borrowings are incurred for the development of a qualifying asset, a weighted average carrying amount of the asset during the period is calculated and a capitalization rate applied to the resulting figure. The capitalization rate applied to the resulting figure is the borrowing rate incurred.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

h) Impairment of Non-financial Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

i) Revenue

Toll and services revenues are recognized and recorded at the time the tolls are collected when the vehicles pass through the toll lanes. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Facility rentals revenues are recognized and recorded in the periods in which they are earned. These revenues include lease payments received from tenants such as commercial custom brokers, private coffee shops, and a duty free store.

Currency exchange department revenues are recorded and recognized at the time the currency exchange transaction is completed. Payments received in U.S. dollars are translated into Canadian dollars based on daily exchange rates.

Interest is recognized and recorded in the period in which it is earned. The primary component of revenue in this category is bond interest.

Deferred revenues are comprised of tolls paid in advance by passenger vehicle users and commercial trucking companies.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued...

j) Foreign Currency Translation

Foreign currency transactions and account balances are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated through the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in the Statement of Operations, Comprehensive Income and Equity in the current period.

k) Employee Future Benefits

BWBC provides post-retirement benefits including health care, dental care, employee assistance, and life insurance to eligible employees and their dependents upon meeting certain requirements. The obligation and the cost of these benefits are determined on an actuarial basis using the projected unit credit method prorated on service and management's best estimate assumptions. The discount rate used to determine the accrued benefit obligation is based on market rates for long-term high quality bonds. BWBC uses an August 31 measurement date.

The net cost consists of the actuarially determined benefits for the current year's service, imputed interest on projected obligations and the amortization of actuarial gains or losses over the expected average remaining service life. Actuarial gains or losses are amortized over the employees' average remaining service life only if the net actuarial gain or loss at the beginning of the year is in excess of 10% of the accrued benefit obligation at that date. These benefits are not pre-funded, resulting in a deficit equal to the accrued liability benefit obligation.

BWBC also provides defined contribution pension benefits to its employees. BWBC's contributions reflect the full benefit cost of the employer and they are charged to operations during the year in which the services are rendered.

l) Leases

As lessee, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

As lessor, when assets are leased out under an operating lease, the asset is included in the Balance Sheet within property, plant and equipment. Leased assets include all of the investment property, buildings and residential.

m) Federal, Provincial and Municipal Government Assistance

Federal, provincial and municipal government assistance is recorded as a reduction of the cost of the asset acquired when there is a reasonable assurance that the requirements for the approved grants are met.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

2. Summary of Significant Accounting Policies continued…

n) Related Party Transactions

Related party transactions are recorded in accordance with the applicable IFRS related to the transaction.

o) Measurement Uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ significantly from management's best estimates as additional information becomes available in the future.

p) Critical Accounting Estimates and Judgments

The following are estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. Useful life expectancy predictions for investment property, intangible assets and property, plant and equipment.

ii. Estimates used in determining post-retirement defined benefit obligations. Additional information relating to employee-related liabilities is disclosed in note 13 of the 2011 Audited Financial Statements.

iii. Classification of investments as held-to-maturity.

3. Government Funding

The federal government, a related party, announced funding for BWBC through the Economic Action Plan initiative. BWBC receives funding for infrastructure projects from the federal government which will reimburse BWBC 50% of the costs for the infrastructure projects up to $10 million (for total spending of $20 million). As at February 29, 2012 $18,372,758 of eligible expenditures has been incurred by BWBC on infrastructure projects; federal funds received since the implementation of the Economic Action Plan initiative in the amount of $8,697,342 (for $17,394,684 expended). Finally, an amount of $489,037 is included in accounts receivable for holdbacks from the federal government.

Comparatively, at August 31st, 2011, $18,336,312 of eligible expenditures was incurred by BWBC on infrastructure projects; federal funds received since the implementation of the Economic Action Plan initiative in the amount of $7,502,509 (for $15,005,018 expended). Finally, an amount of $1,665,649 was included in accounts receivable for claims to be submitted for work completed up to August 31, 2011.

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards

The effect of BWBC's transition to IFRS, described in note 1, is summarized in this note as follows:

i) Transition elections;

ii) Reconciliation of equity and comprehensive income as previously reported under CGAAP to IFRS; and

iii) Adjustments to the statement of cash flows.

i) Transition elections

BWBC has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note 23(ii)
Deemed cost of property, plant and equipment	a)
Employee benefits – treatment of actuarial gains and losses	b)
Capitalization of borrowing costs	c)

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards continued…

i) Reconciliation of equity and comprehensive income as previously reported under CGAAP to IFRS

Reconciliation of equity at September 1, 2010 (date of transition to IFRS)

	Note 23.ii)	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash		$ 13,960,797	$ -	$ 13,960,797
Held-to-maturity financial assets		7,920,167	-	7,920,167
Accounts receivable		1,514,750	-	1,514,750
Prepaid expenses		318,940	-	318,940
		23,714,654	-	23,714,654
Held-to-maturity financial assets		3,340,906	-	3,340,906
Investment property	a,d	-	5,287,198	5,287,198
Intangible assets		368,292	-	368,292
Property, plant and equipment	a,f	161,801,357	50,452,432	212,253,789
Restricted assets				
Debt service reserve fund		3,470,933	-	3,470,933
Operating and maintenance contingency fund		1,689,381	-	1,689,381
		5,160,314	-	5,160,314
		$ 194,385,523	$ 55,739,630	$ 250,125,153
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 6,373,813	$ -	$ 6,373,813
Holdbacks payable		4,394,015	-	4,394,015
Deferred revenue		1,524,167	-	1,524,167
Current portion of long-term debt	e	3,088,832	(63,562)	3,025,270
		15,380,827	(63,562)	15,317,265
Employee future benefits liability	b	4,140,415	593,352	4,733,767
Long-term debt	e	88,113,405	(753,307)	87,360,098
		107,634,647	(223,517)	107,411,130
Equity				
Retained earnings	g	86,750,876	55,963,147	142,714,023
		$ 194,385,523	$ 55,739,630	$ 250,125,153

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards continued…

Reconciliation of equity at August 31, 2011:

	Note 23.ii)	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash		$ 7,987,690	$ -	$ 7,987,690
Held-to-maturity financial assets		1,069,906	-	1,069,906
Accounts receivable		2,247,859	-	2,247,859
Prepaid expenses		373,439	-	373,439
		11,678,894	-	11,678,894
Held-to-maturity financial assets		1,117,387	-	1,117,387
Investment property	a,d	-	16,235,847	16,235,847
Intangible assets		269,578	-	269,578
Property, plant and equipment	a,c,d,f	181,480,466	38,618,262	220,098,728
Restricted assets				
Debt service reserve fund		3,405,935	-	3,405,935
Operating and maintenance contingency fund		2,222,877	-	2,222,877
		5,628,812	-	5,628,812
		$ 200,175,137	$ 54,854,109	$ 255,029,246
Liabilities				
Current				
Accounts payable and accrued liabilities	e	$ 2,850,345	$ 9,249	$ 2,859,594
Holdbacks payable		992,116	-	992,116
Deferred revenue		1,642,495	-	1,642,495
Current portion of bank loan payable		375,391	-	375,391
Current portion of bonds payable	e	3,289,999	(63,698)	3,226,301
		9,150,346	(54,449)	9,095,897
Employee future benefits liability	b	4,751,588	584,782	5,336,370
Long-term debt				
Bank loan payable		14,594,766	-	14,594,766
Bonds payable	e	84,823,406	(689,609)	84,133,797
		99,418,172	(689,609)	98,728,563
		113,320,106	(159,276)	113,160,830
Equity				
Retained earnings	g	86,855,031	55,013,385	141,868,416
		$ 200,175,137	$ 54,854,109	$ 255,029,246

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards continued…

a) In accordance with IFRS transitional provisions, BWBC elected to revalue by $55,739,630 certain property, plant and equipment to its fair value at September 1, 2010, of which $5,287,198 was classified as investment property in d) below. An additional $11,610,838 was classified as investment property for the year ended August 31, 2011, of which $86,396 consists of capitalized borrowing costs, as noted in c) and d) below. As a result of the amounts classified as investment property for the year ended August 31, 2011, $525,448 of amortization was classified to investment property. The resulting increased depreciation of property, plant and equipment of $1,265,874 for the year ended August 31, 2011 was included in amortization of property, plant and equipment.

b) In accordance with IFRS transitional provisions, BWBC elected to recognize the cumulative actuarial gains and losses and past service costs at September 1, 2010. BWBC will continue to apply the corridor method of accounting for such gains and losses arising from September 1, 2010 onward. The carrying value of the net liability for employee future benefit obligations has been increased by $593,352 to recognize cumulative net actuarial gains and losses at September 1, 2010, which was reduced to $584,782 at August 31, 2011 as a result of the $8,570 amortization of unrecognized gains and losses that were recognized under CGAAP in the year.

c) Under IFRS, BWBC capitalizes all borrowing costs directly related to the acquisition and construction of a qualifying asset with the cost of that asset. A qualifying asset is an asset that takes more than one year to be ready for use, and that has a total project cost of more than $1 million. In accordance with IFRS transitional provisions, BWBC has elected to not capitalize borrowing costs on qualifying assets that were incurred prior to September 1, 2010. BWBC capitalized $524,796 of borrowing costs for the year ended August 31, 2011 and $438,400 and $86,396 was included in property, plant and equipment and investment property, respectively. The amortization of the borrowing costs of $7,702 and $1,080 for the year ended August 31, 2011 was included in amortization of property, plant and equipment and amortization of investment property, respectively.

d) Under IFRS, BWBC classifies all properties rented to third parties as investment property. Under CGAAP, BWBC accounted for these properties as property, plant and equipment. The fair value of these assets was determined in accordance with IFRS transitional provisions, as noted in a). The result is an increase to investment property of $5,287,198 at September 1, 2010, with an additional increase of $11,610,838 in fiscal 2011, of which $86,396 consists of capitalized borrowing costs. The resulting depreciation expense of $662,189 for the year ended August 31, 2011 was included in amortization of investment property. The adjustment to the balance sheet at August 31, 2011 of $16,235,847 is net of accumulated amortization.

e) IFRS requires debt transaction costs to be offset against the value of bonds on initial recognition. Under IFRS, BWBC has recorded the bond agency fees on the bonds payable as an offset to the debt. Under CGAAP, BWBC accounted for the bond agency fees as an expense at the date of the bond issuance. The result is a decrease in bonds payable of $816,869 at September 1, 2010. The amortization of the bond agency fees of $63,562 for the year ended August 31, 2011 was included in transaction fees. The adjustment to the balance

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards continued…

sheet at August 31, 2011 of $753,307 is net of amortization. The decrease in bonds payable for the year ending August 31, 2011 results in an increase in transaction fees of $9,249.

f) The following is a summary of transition adjustments to BWBC's property, plant and equipment from CGAAP to IFRS:

	Note 23.ii)	August 31, 2011	September 1, 2010
Property, plant and equipment as reported under CGAAP		$ 181,480,466	$ 161,801,357
IFRS adjustments - increase (decrease):			
Property, plant and equipment revaluation	a	55,739,630	55,739,630
Transfer of property to investment property	a,d	(16,811,640)	(5,287,198)
Amortization of property, plant and equipment revaluation	a	(1,265,874)	-
Accumulated amortization of property transferred to investment property	a	525,448	-
Capitalization of borrowing costs	c	438,400	-
Amortization of borrowing costs	c	(7,702)	-
Property, plant and equipment as reported under IFRS		$ 220,098,728	$ 212,253,789

g) The following is a summary of transition adjustments to BWBC's retained earnings from CGAAP to IFRS:

	Note 23.ii)	August 31, 2011	September 1, 2010
Retained earnings as reported under CGAAP		$ 86,855,031	$ 86,750,876
IFRS adjustments - increase (decrease):			
Property, plant and equipment revaluation	a	55,739,630	55,739,630
Employee benefits - actuarial gain and loss	b	(593,352)	(593,352)
Long-term debt bond transaction costs	c	816,869	816,869
Effect of transition on profit and comprehensive income for the year		(949,762)	-
Retained earnings as reported under IFRS		$ 141,868,416	$ 142,714,023

4.5 Selected Notes to the Interim Unaudited Condensed Financial Statements

4. Transition to International Financial Reporting Standards continued…

ii) Adjustments to the statement of cash flows

a) The transition from CGAAP to IFRS had no significant impact on cash flows generated by BWBC except that, profit and comprehensive income and certain other cash flows have been adjusted as a result of the transition differences noted in ii) above.

5. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

6. Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this quarterly financial report.